

Business Plan for Millicom Tanzania Mobile Solutions Ltd

Executive Summary

Objectives:

1. To establish Tigo Pesa mobile financial Services in Tanzania mainland and Zanzibar
2. Lead the Mobile Financial Service space in Tanzania mainland and Zanzibar by creating inclusion financial services to cater for all customers.
3. Create employment for both skilled and unskilled through wakala growth

Target Market

The Mobile Financial Services (Tigo Pesa) will all mobile phone users in Tanzania mainland and Zanzibar.

SWOT ANALYSIS	
Metrics	Analysis
Strengths	Offers affordable packages
Weaknesses	Lack of experienced workforce in the area of Fintech
Opportunities	Available online platforms to promote the business
Threats	Safety risks

Marketing Plan

The marketing plan will consist of promoting Tigo Pesa on different social media platforms and advertising on television and radio. It will also partner with companies that offer products and services relevant to the mobile financial services.

Investment Plan

Investment Breakdown	
Investment Breakdown	USD/ Tshs.M
Land/ Building	75,000,000
Plant	-
Vehicles	125,000,000
Furniture & Fittings	50,000,000
Working Capital	250,000,000
Total	500,000,000/=

Attached is a detailed financial projection for 5 years plan.

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MFS			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
MFS Subscribers EoP	'000	4,640	5,255	6,248	6,647	6,129	6,227	6,657	7,091	7,555	8,061	8,625	
Growth	%		13.3%	18.9%	6.4%	(7.8%)	1.6%	6.9%	6.5%	6.5%	6.7%	7.0%	
MFS Penetration on Core Subs (6C)	%		49.4%	59.9%	57.2%	53.1%	51.4%	52.9%	54.4%	55.9%	57.6%	59.9%	
MFS Subscribers AoP	'000	4,948	5,751	6,446	6,388	6,178	6,442	6,874	7,323	7,808	8,343		
Fee per Transaction	C/Transaction	287	264	238	265	245	225	209	195	183	173		
Growth	%		(8.1%)	(9.9%)	11.4%	(7.6%)	(8.0%)	(7.0%)	(7.0%)	(6.0%)	(5.5%)		
Transaction Per User	#/Month	11	11	13.0	12.3	13.8	15.2	16.4	17.7	18.0	19.4		
Growth	%		0.0%	5.5%	15.2%	(5.6%)	12.3%	8.8%	7.9%	7.4%	7.4%		
MFS AHPU (over MFS subscribers)	LC/Month	3,080	2,987	3,100	3,080	3,389	3,413	3,428	3,439	3,471	3,522		
Growth	%		(3.0%)	3.8%	0.1%	3.7%	1.0%	0.4%	0.4%	0.9%	1.5%		
Total Transactions (incl. self top up)	'000	537,249	636,153	780,337	1,007,534	942,807	1,023,353	1,171,493	1,349,036	1,551,338	1,775,899	2,037,703	
COGS													
Outgoing X-net Minutes	#m	1,828	2,081	2,177	2,562	2,741	7,355	7,828	8,217	8,601	9,001	9,415	
MTRs	LC/Mm	29	26	16	10	10	5	3	2	2	2	2	
Toll charges - x-net	LC/M	(55,193)	(59,630)	(57,359)	(40,173)	(27,895)	(38,245)	(20,353)	(16,434)	(17,202)	(18,002)	(18,830)	
Outgoing International Minutes	#m	32	18	15	12	9	9	11	8	6	7		
Cost per Minute	LC/Mm	(6,974)	(3,938)	(3,888)	(2,811)	(2,620)	(2,327)	(2,627)	(1,915)	(1,358)	(1,336)	(1,315)	
Frequency charges	LC/M	(5,637)	(5,479)	1,089	1,109	1,549	1,899	1,539	1,539	1,539	1,539	1,539	
% of Mobile Revenues	%		1.09%	0.51%	0.51%	0.49%	0.57%	0.55%	0.53%	0.49%	0.47%	0.47%	
Remaining Costs	LC/M	(2,730)	(1,617)	(1,723)	(962)	(1,185)	(1,410)	(1,480)	(1,554)	(1,478)	(1,403)	(1,332)	
Scratch card costs	LC/M	(3,681)	(3,460)	(3,130)	(3,007)	(2,783)	(2,688)	(1,480)	(1,554)	(1,478)	(1,403)	(1,332)	
% of Mobile Revenues	%		0.56%	0.51%	0.49%	0.48%	0.57%	0.55%	0.53%	0.49%	0.47%	0.47%	
Royalty to PTI	LC/M	(4,173)	(4,413)	(4,631)	(5,338)	(6,050)	(4,973)	(6,479)	(6,994)	(7,568)	(8,265)	(9,021)	
% of Total Revenues less MFR	%		0.79%	0.75%	0.92%	1.00%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	
Numbering Fees	LC/M	(6,910)	(9,216)	(11,684)	(11,739)	(12,094)	(12,298)	(12,833)	(13,311)	(13,794)	(14,293)	(14,803)	
Per Subs	LC	(876)	(1,109)	(1,085)	(1,044)	(1,040)	(1,040)	(1,040)	(1,040)	(1,040)	(1,040)	(1,040)	
UCSAF Royalties	LC/M	(1,565)	(1,588)	(2,708)	(5,960)	(6,380)	(4,973)	(8,098)	(11,656)	(12,614)	(13,775)	(15,036)	
% of Total Revenues less MFR	%		0.29%	0.44%	0.92%	1.05%	1.00%	1.50%	2.00%	2.00%	2.00%	2.00%	
Transmission	LC/M	(6,410)	(9,558)	(8,370)	(9,940)	(9,216)	(8,974)	(12,520)	(13,363)	(14,077)	(15,094)	(16,715)	
% of Mobile Revenues	%		1.61%	1.35%	1.58%	1.62%	1.89%	2.56%	2.56%	2.60%	2.45%	2.49%	
Capacity - London	Gbps												
Capacity - Mombasa	Gbps												
Capacity - JNB	Gbps												
Capacity - Dar (+Dibouti + Fuji)	Gbps												
10G NICTBB Lease	\$												
10G NICTBB Lease	\$												
Domestic Right of way (Fiber)	\$												
ET Leases	\$												
Other VAS COGS	LC/M	(2,317)	(3,148)	(3,819)	(3,935)	(1,770)	(2,714)	REF	REF	REF	REF	REF	
% of VAS Revenues	%		2.9%	3.3%	4.8%	3.4%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	
Teless	LC/M	(9)	(28,973)	(60,638)	(73,429)	(59,651)							
% of Data Revenues	%												
Data-Cleaning House & Other	LC/M												
% of Data Revenues	%												
Other Data COGS	LC/M	(848)	(34,281)	(53,215)	(78,270)	(63,833)							
% of Data Revenues	%		27.8%	31.1%	39.7%	30.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total B2C Mobile COGS	LC/M	(98,438)	(137,328)	(156,225)	(169,960)	(142,642)	(87,582)	(77,999)	(78,211)	(82,162)	(88,404)	(92,181)	
% of Mobile Revenues	%		23.2%	25.2%	27.0%	25.1%	18.5%	15.8%	15.0%	14.6%	14.0%	13.7%	
B2B Mobile COGS	LC/M	(1,804)	(2,083)	(3,167)	(4,180)	(3,113)	(2,740)	(3,563)	(3,919)	(4,232)	(4,571)	(4,937)	
% of B2B Mobile Revenues	%		18.3%	18.5%	14.3%	11.4%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	
B2B Fixed COGS	LC/M												
% of B2B Fixed Revenues	%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
MFS COGS													
% of MFS Revenues	LC/M	(79,048)	(93,244)	(104,780)	(125,071)	(126,131)	(129,035)	(135,897)	(145,538)	(155,647)	(167,487)	(181,808)	
%	%	55.3%	51.0%	50.8%	52.1%	50.5%	51.5%	51.5%	51.3%	51.3%	51.3%	51.5%	
Bad Debt	LC/M	(457)	(1,670)	(947)	764	(525)	(639)	(670)	(717)	(773)	(840)	(914)	
% of Recurring Revenues	%	0.06%	0.21%	0.11%	(0.08%)	0.06%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	
SIM Card Costs	LC/M	(7,038)	(8,504)	(5,962)	(7,104)	(6,122)	(8,089)	(5,838)	(6,031)	(6,419)	(6,801)	(7,222)	
Per GA	LC	(881)	(1,034)	(987)	(906)	(956)	(990)	(900)	(923)	(946)	(969)	(993)	
Other	LC/M	(969)	(1,310)	(572)	(1,499)	(2,790)	61	61	61	61	61	61	
Non-Recurring COGS	LC/M	(6,405)	(11,464)	(7,480)	(7,838)	(9,438)	(8,668)	(6,440)	(8,888)	(7,132)	(7,580)	(8,076)	

	2020E	2021E	2022E	2023E
2020E	14,161	20,554	27,042	33,142
2021E	14,161	20,554	27,042	33,142
2022E	14,161	20,554	27,042	33,142
2023E	14,161	20,554	27,042	33,142

	2021E	2022E	2023E
2021E	14,161	20,554	27,042
2022E	14,161	20,554	27,042
2023E	14,161	20,554	27,042

Opex

		'000	2021	2022	2023	2024	2025	2026	2027	2028	2029	
Gross Adds	LC		8,222	8,040	7,135	6,401	5,171	6,487	6,538	6,789	7,017	7,270
Commission Cost per GA	LC		(3,196)	(3,859)	(4,143)	(4,544)	(3,929)	(4,487)	(4,538)	(4,789)	(4,917)	(5,270)
Acquisition	LCm		(26,279)	(23,369)	(29,561)	(29,588)	(32,106)	(25,490)	(32,929)	(32,929)	(32,929)	(32,929)
Retail & Other	LCm		(35,538)	(33,856)	(33,454)	(30,966)	(27,659)	(29,083)	(25,689)	(26,675)	(27,572)	(28,566)
% of Outgoing Revenues	%		6.8%	6.1%	5.8%	5.9%	6.3%	6.2%	6.1%	6.0%	5.9%	5.9%
Dealer Commissions	LCm		(51,817)	(57,225)	(52,074)	(50,055)	(59,768)	(54,573)	(56,498)	(59,485)	(62,832)	(66,427)
% of Revenues	%		8.5%	7.7%	6.5%	6.8%	7.6%	6.6%	6.4%	6.3%	6.1%	5.9%
# of FTE (AOP)	#		470	426	403	382	394	432	443	451	455	461
# of FTE (EoP)	#		491	449	403	382	426	438	448	453	458	463
Cost per FTE	LCm/yr		111,802	114,146	125,407	134,415	122,846	125,487	131,761	138,350	145,267	152,530
Cost per FTE Growth	%		2.1%	9.9%	7.2%	(8.6%)	2.2%	5.0%	5.0%	5.0%	5.0%	5.0%
Employee Costs	LCm		(50,464)	(52,547)	(48,628)	(50,678)	(51,347)	(48,401)	(54,210)	(58,370)	(66,189)	(70,240)
% of Revenues	%		7.1%	6.6%	5.5%	5.8%	6.2%	6.6%	6.6%	6.6%	6.4%	6.3%
# of Sites (EoP)	#		2,526	2,742	2,724	2,781	2,804	2,929	3,054	3,164	3,264	3,354
Additional Sites	#		216	(18)	(18)	57	23	125	125	110	100	80
# of Sites (AOP)	#		2,396	2,634	2,733	2,755	2,793	2,897	2,932	3,109	3,214	3,309
Rollout	%		8.9%	3.6%	0.7%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-Site Growth (eg. Fiber rol)	%											
Fuel Index	%											
Mobile Network Maintenance Cost	LCk		35,332	37,814	38,611	13,395	12,837	12,772	12,743	12,742	12,742	12,763
Growth	%		7.0%	2.1%	(65.3%)	(4.2%)	0.0%	(0.5%)	(0.2%)	(0.0%)	0.2%	
Network Maintenance Costs	LCm		(81,076)	(84,655)	(99,802)	(105,524)	(106,870)	(106,797)	(106,207)	(106,819)	(106,954)	(106,232)
o/w Vendor Maintenance	LCm		(11,260)	(11,394)	(11,314)	(11,314)	(11,723)	(12,107)	(12,522)	(12,951)	(13,394)	(13,854)
o/w Managed Service	LCm		(11,871)	(13,047)	(14,250)	(15,194)	(15,440)	(15,933)	(16,400)	(16,889)	(17,418)	(17,918)
o/w Passive Maintenance	LCm		(5,330)	(6,470)	(5,269)	(4,177)	(4,221)	(4,398)	(4,572)	(4,728)	(4,888)	(5,050)
o/w Service Agreement	LCm		(82,209)	(85,105)	(11)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
o/w Site Energy	LCm		(3,925)	(4,242)	(3,381)	(3,037)	(3,121)	(3,323)	(3,523)	(3,718)	(3,903)	(4,088)
o/w Transportation	LCm		(67)	(19)	(10)	(27)	(29)	(31)	(32)	(32)	(34)	(34)
o/w Other	LCm		(3,880)	(4,411)	(2,610)	(1,748)	(1,889)	(2,001)	(2,143)	(2,294)	(2,456)	(2,618)
o/w Vendor Maintenance	%		11.3%	10.8%	30.7%	32.7%	32.9%	32.8%	32.7%	32.7%	32.8%	32.8%
o/w Managed Service	%		11.9%	12.8%	38.8%	42.4%	42.0%	41.7%	41.4%	41.0%	40.5%	40.5%
o/w Passive Maintenance	%		6.4%	8.0%	14.3%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
o/w Service Agreement	%		62.5%	59.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
o/w Site Energy	%		3.9%	4.0%	9.1%	8.5%	8.5%	8.7%	8.9%	9.1%	9.2%	9.2%
o/w Transportation	%		0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
o/w Other	%		3.9%	4.5%	7.1%	4.9%	5.1%	5.2%	5.4%	5.6%	5.6%	5.6%
II Costs	LCm		(13,022)	(14,315)	(13,454)	(13,445)	(14,017)	(14,820)	(15,351)	(16,118)	(16,924)	(17,770)
Growth	%		9.9%	(6.0%)	(0.1%)	4.3%	4.3%	5.0%	5.0%	5.0%	5.0%	5.0%
Other Opex	LCm		(56,278)	(49,392)	(65,258)	(75,718)	(107,893)	(47,922)	(42,780)	(43,850)	(44,946)	(46,070)
Growth in Other Opex	%		32.1%	76.0%	42.5%	(55.0%)	(10.7%)	2.5%	2.5%	2.5%	2.5%	2.5%
A&M as % of Revenues	%		3.9%	2.9%	2.2%	2.1%	2.0%	2.4%	2.5%	2.5%	2.5%	2.5%
Phone Subsidies as % of Revenues	%		0.8%	0.7%	0.4%	0.3%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Office Rental and Lease Payments as % of Revenues	%		0.9%	0.8%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
NATIONAL ROAMING Revenue	LCm		4,233	26,055	26,522	26,995	28,086	28,086	28,086	28,086	28,086	28,086
Cost	LCm		5,324	32,736	33,295	33,770	34,794	34,794	34,794	34,794	34,794	34,794

channel mix etc?

(3.6/1)

1775.5/15

2021E 2022E 2023E

8.54 (52,122) (57,424) (55,442)

(1,054) (1,396) (1,305)

